

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

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Davis County Community School District
Board of Education and School District Officials
Year ended June 30, 2010

Name	Title	Term Expires
Board of Education		
Before September, 2009 Election		
Marty Owen	President	2011
Kenneth Wuthrich	Vice President	2011
Susan Knapp	Board Member	2009
Edward Reese, Jr.	Board Member	2009
Rita Grob	Board Member	2009
Rod Lynch	Board Member	2009
Rob Melvin	Board Member	2011
After September, 2009 Election		
Marty Owen	President	2011
Kenneth Wuthrich	Vice President	2011
Rob Melvin	Board Member	2011
Alan Bodkins	Board Member	2013
Alan Johnson	Board Member	2013
Rod Lynch	Board Member	2013
Sheryl Wright	Board Member	2013
School District Officials		
Sam Miller	Superintendent	2010
Betsy Bassett	District Secretary/Treasurer and Business Manager	2010
Rick Lynch	Attorney	Indefinite
Danielle Haindfield		



Independent Auditor's Report

To the Board of Education
Davis County Community School District
Bloomfield, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010 on our consideration of Davis County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

December 23, 2010

Davis County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The state cut district aid by 10% or approximately \$544,000 in October 2009.
- The District has a solvency ratio of 4.7%. Experts recommend a solvency ratio between 8-12%. The 10% state cut has greatly impacted the solvency ratio.
- Construction of a new high school continued which will be paid using revenue from statewide one cent sales tax.
- The District continued to support professional development for improvement in reading, mathematics, science, technology and character education.
- The District received \$484,000 from insurance claims for hail damages. The district then expended \$324,700 of that money for hail repairs to buildings and vehicles.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets- the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories.

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund; Special Revenue Funds; and Debt Service Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

Figure A-1 below provides a summary of the District's net assets at June 30, 2010, compared to June 30, 2009.

Figure A-1 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 11,709	16,771	126	77	11,835	16,848	-29.8%
Capital assets	9,891	4,778	105	112	9,996	4,890	104.4%
Total assets	21,600	21,549	231	189	21,831	21,738	0.4%
Long-term liabilities	10,348	10,345	-	-	10,348	10,345	0.0%
Other liabilities	5,706	5,072	4	7	5,710	5,079	12.4%
Total liabilities	16,054	15,417	4	7	16,058	15,424	4.1%
Net assets:							
Invested in capital assets,							
net of related debt	4,680	5,040	105	112	4,785	5,152	-7.1%
Restricted	712	584	-	70	712	654	8.9%
Unrestricted	154	508	122	-	276	508	-45.7%
Total net assets	\$ 5,546	6,132	227	182	5,773	6,314	-8.6%

Financial Analysis of the District as a Whole

The District has strong fund balances, however trend data is concerning. Experts in school finance recommend a solvency ratio between 8-12%; the District is at 4.7% and has dropped five consecutive years. The District has determined needs in several areas, and is carefully utilizing existing balances to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs and maintaining a quality staff.

Figure A-2 shows the change in net assets for the year ended June 30, 2010.

Figure A-2							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total District		Total Change	
Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,	
2010	2009	2010	2009	2010	2009	2009-2010	
Revenues:							
Program revenues:							
Charges for service	\$ 772	795	241	248	1,013	1,043	-2.9%
Operating grants, contributions and restricted interest	2,834	2,186	284	259	3,118	2,445	27.5%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	
General revenues:							
Property tax	3,301	3,052	-	-	3,301	3,052	8.2%
Local option sales and service tax	682	861	-	-	682	861	-20.8%
Unrestricted state grants	4,123	5,115	-	-	4,123	5,115	-19.4%
Unrestricted investment earnings	39	67	1	1	40	68	-41.2%
Other	43	175	-	-	43	175	-75.4%
Total revenues	11,794	12,251	526	508	12,320	12,759	-3.4%
Program expenses:							
Governmental activities:							
Instruction	8,113	7,612	-	-	8,113	7,612	6.6%
Support services	3,800	3,360	-	-	3,800	3,360	13.1%
Non-instructional programs	-	-	481	502	481	502	-4.2%
Other expenses	1,016	1,015	-	-	1,016	1,015	0.1%
Total expenses	12,929	11,987	481	502	13,410	12,489	7.4%
Extraordinary item	549	-	-	-	549	-	-
Change in net assets	\$ (586)	264	45	6	(541)	270	-300.4%

In the 2009-10 school year:

- The District did considerable maintenance work utilizing the Physical Plant and Equipment (PPEL) fund and sales tax revenues.
- In addition, the district has a commitment to early retirement payments.

The following table, A-3, presents the cost of the District's major governmental activities: instruction, support services, non-instructional program and other expenses.

<p style="text-align: center;">Figure A-3 Total and Net Cost of Governmental Activities (Expressed in Thousands)</p>						
	Total Cost of Services		Change	Net Cost of Services		Change
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	\$ 8,113	7,612	6.6%	4,964	5,055	-1.8%
Support services	3,800	3,360	13.1%	3,800	3,359	13.1%
Other expenses	1,016	1,015	0.1%	559	592	-5.6%
Totals	\$ 12,929	11,987	7.9%	9,323	9,006	3.5%

The cost of all governmental activities this year was \$12,929,000. An increase of \$942,000 was due to the addition of:

- a kindergarten teacher and two Title I teachers
- increased Activity Fund expenditures of approximately \$20,000
- hail repairs to buildings and vehicles of \$390,000
- Increase in employee portion of IPERS of 6.35% to 6.65%
- Wage increases

The portion of the cost financed by users of the District's programs was \$9,322,718.

The net portion of governmental activities was financed with \$3,982,845 in property and sales tax, \$4,123,331 in state sources.

Business-Type Activities

The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues of the District's business-type activities increased \$18,377 to \$526,092 while expenses decreased \$21,816 to \$480,456.

The District had been able to maintain student lunch prices at the same level for several years with careful management and use of government commodities. Lunch prices did increase for the 2009-2010 school year. The District has utilized investments to update equipment over the past few years. Federal support for the lunch program was \$278,616 (free/reduced lunches).

Financial Analysis of the District's Funds

As previously noted, the Davis County Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental Fund Highlights

The General Fund balance was \$700,651, a net decrease of \$335,612 from the prior year. The decrease was due to the following factors:

- A 10% ATB cut that resulted in a loss of \$544,000
- Loss of Phase I funding at a cost of approximately \$70,000

The Physical Plant and Equipment Levy (PPEL) and sales tax revenues were utilized for many of the items of remodeling and updating done this past year on infrastructure needs as well as the purchase of buses.

Business-Type Highlights

The School Nutrition Fund change in net assets was \$45,635 due to decreased operating expenses and increases in federal revenue resources.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a modified accrual basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for patrons of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unreserved, undesignated General Fund balance) of the district.

The District exceeded the certified budget amounts in the instruction functional area. Future revenues from the Instructional Support Levy (ISL) will help alleviate funding shortages.

Capital Asset and Debt Administration

Figure A-4 provides a summary of the District's capital.

Figure A-4 Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 107	107	-	-	107	107	0.0%
Construction in progress	5,376	-	-	-	5,376	-	-
Buildings	3,308	3,469	-	-	3,308	3,469	-4.6%
Improvements other than buildings	678	726	-	-	678	726	-6.6%
Furniture and equipment	422	476	105	112	527	588	-10.4%
Totals	\$ 9,891	4,778	105	112	9,996	4,890	104.4%

By the end of fiscal 2010, the District had invested \$9,890,869 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, promethean boards, audio-visual equipment and transportation equipment.

Long Term Debt

Figure A-5 provides a summary of the District's long term debt.

Figure A-5			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
Revenue bonds	9,695	9,695	0.0%
Bond premiums	64	66	-3.0%
Early retirement	542	584	-7.2%
Compensated absences	23	-	0.0%
Net OPEB liability	24	-	0.0%
Totals	\$ 10,348	10,345	0.0%

At year-end, the District had \$10,348,000 in sales tax revenue bond debt and other long-term debt outstanding. This represents an increase of \$3,000 from last year. Bond premiums and early retirement decreased, but compensated absences and net Other Post Employment Benefits (OPEB) liabilities were added.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Changes in certified enrollment
- The continued impact of the 2009 10% Across the Board State cut will continue for at least 5 years or more.
- A special education deficit of \$123,490
- Technology maintenance on computers district-wide
- Employee contract settlements
- Future across-the-board cuts, funding freezes and 0% Allowable Growth at the state level
- Possible loss of statewide 4 yr. old preschool
- Healthcare reform
- Increases in employer share of IPERS

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 S. Washington Street, Bloomfield, Iowa 52537.

Basic Financial Statements

Davis County Community School District
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,351,428	100,455	7,451,883
Receivables:			
Property tax:			
Delinquent	56,570	-	56,570
Succeeding year	3,408,469	-	3,408,469
Accounts	3,060	-	3,060
Due from other governments	732,619	-	732,619
Inventories	-	25,252	25,252
Bond issuance costs	156,618	-	156,618
Capital assets, net of accumulated depreciation	9,890,869	105,175	9,996,044
Total assets	21,599,633	230,882	21,830,515
Liabilities			
Excess of warrants over bank balance	226,210	-	226,210
Accounts payable	630,311	490	630,801
Salaries and benefits payable	988,786	1,721	990,507
Due to other governments	5,740	-	5,740
Accrued interest payable	235,103	-	235,103
Unearned revenue:			
Succeeding year property tax	3,408,469	-	3,408,469
Other	211,260	-	211,260
Long-term liabilities:			
Portion due within one year:			
Early retirement	184,246	-	184,246
Revenue bonds	170,000	-	170,000
Compensated absences	22,831	1,373	24,204
Portion due after one year:			
Bond premiums	63,318	-	63,318
Early retirement	357,989	-	357,989
Revenue bonds	9,525,000	-	9,525,000
Net OPEB liability	24,309	-	24,309
Total liabilities	16,053,572	3,584	16,057,156
Net assets			
Invested in capital assets, net of related debt	4,679,665	105,175	4,784,840
Restricted for:			
Management levy	76,488	-	76,488
Physical plant and equipment levy	49,787	-	49,787
Debt service	182,458	-	182,458
Other special revenue purposes	168,841	-	168,841
Categorical funding	234,617	-	234,617
Unrestricted	154,205	122,123	276,328
Total net assets	\$ 5,546,061	227,298	5,773,359

See notes to financial statements.

Davis County Community School District
Statement of Activities
Year ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Governmental activities:					
Instruction:					
Regular	\$ 6,036,093	401,636	1,344,964	(4,289,493)	-
Special	1,472,950	69,462	1,007,132	(396,356)	-
Other	603,546	300,566	25,233	(277,747)	-
	8,112,589	771,664	2,377,329	(4,963,596)	-
Support Service:					
Student	266,569	-	-	(266,569)	-
Instructional staff	237,999	-	-	(237,999)	-
Administration	1,453,778	-	-	(1,453,778)	-
Operating and maintenance of plant	942,784	-	-	(942,784)	-
Transportation	898,551	-	-	(898,551)	-
	3,799,681	-	-	(3,799,681)	-
Other expenditures:					
Facilities acquisition	117,373	-	-	(117,373)	-
Long-term debt interest	442,068	-	-	(442,068)	-
AEA flowthrough	456,463	-	456,463	-	-
	1,015,904	-	456,463	(559,441)	-
Total governmental activities	12,928,174	771,664	2,833,792	(9,322,718)	-
Business type activities:					
Non-instructional programs:					
Nutrition services	480,456	241,607	283,677	-	44,828
Total	\$ 13,408,630	1,013,271	3,117,469	(9,322,718)	44,828
General revenues:					
Property tax levied for:					
General purposes				\$ 3,220,671	-
Capital outlay				80,273	-
Statewide sales, services and use tax				681,901	-
Unrestricted state grants				4,123,331	-
Unrestricted investment earnings				38,822	807
Other				17,144	-
Loss on disposal of assets				(33,426)	-
Contributions not restricted to specific programs				59,495	-
Total general revenues				8,188,211	807
Extraordinary item:					
Storm damage recovery				548,500	-
Change in net assets				(586,007)	45,635
Net assets beginning of year				6,132,068	181,663
Net assets end of year				\$ 5,546,061	227,298

See notes to financial statements.

Davis County Community School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Management	Debt Service	Capital Projects	Non-Major	Total
Assets						
Cash and pooled investments	\$ 1,719,508	264,805	417,561	4,731,322	218,232	7,351,428
Receivables:						
Property tax:						
Delinquent	50,761	4,489	-	-	1,320	56,570
Succeeding year	3,043,808	283,001	-	-	81,660	3,408,469
Accounts	3,060	-	-	-	-	3,060
Due from other governments	507,465	-	-	225,154	-	732,619
Total assets	\$ 5,324,602	552,295	417,561	4,956,476	301,212	11,552,146
Liabilities and Fund Balances						
Liabilities:						
Excess of outstanding warrants over bank balance	\$ 226,210	-	-	-	-	226,210
Accounts payable	173,430	8,560	-	447,397	924	630,311
Salaries and benefits payable	988,786	-	-	-	-	988,786
Due to other governments	5,740	-	-	-	-	5,740
Early retirement payable	-	184,246	-	-	-	184,246
Deferred revenue:						
Succeeding year property tax	3,043,808	283,001	-	-	81,660	3,408,469
Other	185,977	-	-	25,283	-	211,260
Total liabilities	4,623,951	475,807	-	472,680	82,584	5,655,022
Fund balances:						
Reserved for:						
Categorical funding	234,617	-	-	-	-	234,617
Debt service	-	-	405,102	803,030	-	1,208,132
Unreserved	466,034	76,488	12,459	3,680,766	218,628	4,454,375
Total fund balances	700,651	76,488	417,561	4,483,796	218,628	5,897,124
Total liabilities and fund balances	\$ 5,324,602	552,295	417,561	4,956,476	301,212	11,552,146

See notes to financial statements.

Exhibit D

**Davis County Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2010**

Total fund balances of governmental funds	\$ 5,897,124
--	---------------------

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,890,869
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(235,103)
--	-----------

Long-term liabilities, including bonds payable, early retirement, compensated absences and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities consist of:

Revenue bonds payable	(9,695,000)	
Bond issuance costs	156,618	
Bond premiums	(63,318)	
Early retirement	(357,989)	
Compensated absences	(22,831)	
Other postemployment benefits	(24,309)	(10,006,829)
	<hr/>	<hr/>

Net assets of governmental activities	\$ 5,546,061
--	---------------------

See notes to financial statements.

Exhibit E

Davis County Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2010

	General	Management	Debt Service	Capital Projects	Non-Major	Total
Revenues:						
Local sources:						
Local tax	\$ 2,950,295	270,376	-	681,901	80,273	3,982,845
Tuition	426,341	-	-	-	-	426,341
Other	96,318	13,499	244	15,200	333,018	458,279
State sources	5,497,778	205	-	-	60	5,498,043
Federal sources	1,461,585	-	-	-	-	1,461,585
Total revenues	10,432,317	284,080	244	697,101	413,351	11,827,093
Expenditures:						
Current:						
Instruction:						
Regular	5,744,005	164,930	-	-	-	5,908,935
Special	1,457,209	-	-	-	-	1,457,209
Other	258,904	-	-	-	327,120	586,024
	7,460,118	164,930	-	-	327,120	7,952,168
Support services:						
Student	265,204	-	-	-	-	265,204
Instructional staff	157,227	-	-	20,383	40,231	217,841
Administration	1,287,508	137,496	-	-	11,585	1,436,589
Operation and maintenance of plant	925,317	27,870	-	-	43,220	996,407
Transportation	708,098	10,219	-	61,040	5,999	785,356
	3,343,354	175,585	-	81,423	101,035	3,701,397
Other expenditures:						
Facilities acquisition	-	-	-	5,436,935	84,840	5,521,775
Long-term debt:						
Interest and fiscal charges	-	-	248,108	-	-	248,108
AEA flowthrough	456,463	-	-	-	-	456,463
	456,463	-	248,108	5,436,935	84,840	6,226,346
Total expenditures	11,259,935	340,515	248,108	5,518,358	512,995	17,879,911
Deficiency of revenues under expenditures	(827,618)	(56,435)	(247,864)	(4,821,257)	(99,644)	(6,052,818)
Other financing sources (uses):						
Sale of equipment	7,093	-	-	-	-	7,093
Storm damage recovery	484,913	-	-	-	63,587	548,500
Operating transfers in	-	-	651,960	-	-	651,960
Operating transfers out	-	-	-	(651,960)	-	(651,960)
Total other financing sources (uses)	492,006	-	651,960	(651,960)	63,587	555,593
Net change in fund balances	(335,612)	(56,435)	404,096	(5,473,217)	(36,057)	(5,497,225)
Fund balances beginning of year	1,036,263	132,923	13,465	9,957,013	254,685	11,394,349
Fund balances end of year	\$ 700,651	76,488	417,561	4,483,796	218,628	5,897,124

See notes to financial statements.

Davis County Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2010

Net change in fund balances - total governmental funds **\$ (5,497,225)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 5,475,360	
Sale of equipment	(7,093)	
Gain (loss) on disposal of assets	(33,426)	
Depreciation expense	(322,104)	5,112,737

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. The amounts in the current year are as follows:

Amortization of bond issuance costs	(7,831)	
Amortization of bond premiums	3,166	(4,665)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(193,960)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	44,246	
Compensated absences	(22,831)	
Other postemployment benefits	(24,309)	(2,894)

Change in net assets of governmental activities **\$ (586,007)**

See notes to financial statements.

Exhibit G

Davis County Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2010

	School Nutrition
Assets	
Cash and cash equivalents	\$ 100,455
Inventories	25,252
Capital assets, net of accumulated depreciation	105,175
Total assets	230,882
Liabilities	
Accounts payable	490
Salaries and benefits payable	1,721
Compensated absences	1,373
Total liabilities	3,584
Net Assets	
Invested in capital assets, net of related debt	105,175
Unrestricted	122,123
Total net assets	\$ 227,298

See notes to financial statements.

Exhibit H

Davis County Community School District
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year ended June 30, 2010

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 241,607
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	183,792
Benefits	42,521
Purchased services	9,255
Supplies	229,012
Depreciation	15,735
Miscellaneous	141
Total operating expenses	480,456
Operating loss	(238,849)
Non-operating revenues:	
Interest income	807
State sources	5,061
Federal sources	278,616
	284,484
Net income	45,635
Net assets beginning of year	181,663
Net assets end of year	\$ 227,298

See notes to financial statements.

Exhibit I

Davis County Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 242,229
Cash payments to employees for services	(229,610)
Cash payments to suppliers for goods or services	(194,910)
Net cash used by operating activities	<u>(182,291)</u>
Cash flows from non-capital financing activities:	
State grants received	5,061
Federal grants received	228,712
Net cash provided by non-capital financing activities	<u>233,773</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(8,591)
Net cash used by capital and related financing activities	<u>(8,591)</u>
Cash flows from investing activities:	
Interest on investments	807
Net cash used by investing activities	<u>807</u>
Net increase in cash and cash equivalents	43,698
Cash and cash equivalents at beginning of year	<u>56,757</u>
Cash and cash equivalents at end of year	<u><u>\$ 100,455</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (238,849)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	49,904
Depreciation	15,735
(Increase) in inventories	(6,048)
Decrease in accounts receivable	622
(Decrease) in accounts payable	(358)
(Decrease) in salaries and benefits payable	(4,670)
Increase in compensated absences	1,373
Net cash used by operating activities	<u><u>\$ (182,291)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and cash equivalents	\$ 100,455
Cash and cash equivalents at year end	<u><u>\$ 100,455</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$49,904 of federal commodities.

See notes to financial statements.

Exhibit J

Davis County Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 3,497
Total assets	\$ 3,497
Net Assets	
Reserved for scholarships	\$ 3,497

See notes to financial statements.

Exhibit K

Davis County Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2010

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 41
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	75
Change in net assets	(34)
Net assets beginning of year	3,531
Net assets end of year	\$ 3,497

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-K through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Davis County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Davis County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Physical Plant and Equipment Levy (PPEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures exceeded the amounts budgeted in the instruction functional area.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments as follows:

Success Bank Certificate of Deposit	\$ 1,002,605
Community First Bank Certificate of Deposit	3,137
Iowa Schools Joint Investment Trust	
Diversified Portfolio	3,909,804
Bankers Trust ISJIT	
Diversified Portfolio	1,208,750
	<u>\$ 6,124,296</u>

The investments in the Iowa School Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa School Joint Investment Trust and Goldman Sachs Financial Square Treasury Obligations were all rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 651,960

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 107,275	-	-	107,275
Construction in progress	-	5,375,852	-	5,375,852
Total capital assets not being depreciated	107,275	5,375,852	-	5,483,127
Capital assets being depreciated:				
Buildings	6,344,491	-	121,092	6,223,399
Improvements other than buildings	1,778,038	28,550	-	1,806,588
Furniture and equipment	2,034,069	70,958	92,591	2,012,436
Total capital assets being depreciated	10,156,598	99,508	213,683	10,042,423
Less accumulated depreciation for:				
Buildings	2,875,383	120,268	80,573	2,915,078
Improvements other than buildings	1,052,625	76,085	-	1,128,710
Furniture and equipment	1,557,733	125,751	92,591	1,590,893
Total accumulated depreciation	5,485,741	322,104	173,164	5,634,681
Total capital assets being depreciated, net	4,670,857	(222,596)	40,519	4,407,742
Governmental activities capital assets, net	\$ 4,778,132	5,153,256	40,519	9,890,869
Business type activities:				
Furniture and equipment	\$ 258,700	8,591	-	267,291
Less accumulated depreciation	146,381	15,735	-	162,116
Business type activities capital assets, net	\$ 112,319	(7,144)	-	105,175

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 143,058
Special	12,996
Other	17,522

Support services:

Student	581
Instructional staff	20,158
Administration	13,286
Operation and maintenance of plant	4,445
Transportation	110,058

Total depreciation expense - governmental activities	\$ 322,104
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Business type activities:

Food service operations	\$ 15,735
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 9,695,000	-	-	9,695,000	170,000
Early retirement	583,836	140,000	181,601	542,235	184,246
Compensated absences	-	22,831	-	22,831	22,831
Net OPEB liability	-	24,309	-	24,309	-
Total	\$ 10,278,836	187,140	181,601	10,284,375	377,077
Business type activities:					
Compensated absences	-	1,373	-	1,373	1,373
	\$ -	1,373	-	1,373	1,373

Revenue Bonds

Details of the District's June 30, 2010 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of June 22, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.50	\$ 170,000	466,380	636,380
2012	4.50	265,000	456,593	721,593
2013	4.50	280,000	444,330	724,330
2014	4.50	365,000	429,817	794,817
2015	4.50	380,000	413,055	793,055
2016	4.50	395,000	395,618	790,618
2017	4.50	415,000	377,392	792,392
2018	4.50	430,000	358,380	788,380
2019	4.30	445,000	339,138	784,138
2020	4.50	465,000	319,107	784,107
2021	4.60	485,000	297,490	782,490
2022	5.00	510,000	273,585	783,585
2023	5.00	530,000	247,585	777,585
2024	5.00	555,000	220,460	775,460
2025	5.00	585,000	191,960	776,960
2026	5.00	620,000	161,835	781,835
2027	5.20	650,000	129,435	779,435
2028	5.20	680,000	94,855	774,855
2029	5.25	720,000	58,275	778,275
2030	5.25	750,000	19,687	769,687
Total		\$ 9,695,000	5,694,977	15,389,977

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,695,000 of bonds issued in June, 2009. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$15,636,835. For the current year, no principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$860,635.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$803,030 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$506,812, \$462,349, and \$435,221, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 54 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 34,263
Interest on net OPEB obligation	-
Annual OPEB cost	34,263
Contributions made	(9,954)
Increase in net OPEB obligation	24,309
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 24,309</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 34,263	29.10%	\$ 24,309

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$345,459, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$345,459. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,500,000, and the ratio of the UAAL to covered payroll was 4.6%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

(8) Termination Benefits

The District offered a voluntary early retirement plan for certified employees. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 was a \$20,000 cash benefit payable over four (4) annual installments of \$5,000 each. Option 2 was a \$20,000 cash benefit payable over five (5) annual installments of \$4,000 each. Early retirement benefits paid during the year ended June 30, 2010, totaled \$181,601.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$456,463 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Related Party Transactions

The District had business transactions totaling \$30,905 between the District and District officials during the year ended June 30, 2010.

(12) Construction Commitment

The District has entered into various contracts totaling \$87,706,024 for the construction of a new high school building. As of June 30, 2010, costs of \$5,375,852 had been incurred against the contracts. The balance of \$3,330,172 remaining at June 30, 2010 will be paid as work on the project progresses.

(13) Contingency

The District is involved in legal action over a workers' compensation claim. At this time any potential settlement amount is not believed to be material to the financial statements and a loss amount has not been accrued.

Required Supplementary Information

Davis County Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Variance Favorable (Unfavorable)
				Original	Final	
Revenues:						
Local sources	\$ 4,867,465	242,414	5,109,879	5,126,550	5,126,550	(16,671)
State sources	5,498,043	5,061	5,503,104	6,732,444	6,732,444	(1,229,340)
Federal sources	1,461,585	278,616	1,740,201	871,126	871,126	869,075
Total revenues	11,827,093	526,091	12,353,184	12,730,120	12,730,120	(376,936)
Expenditures:						
Instruction	7,952,168	-	7,952,168	7,862,655	7,879,957	(72,211)
Support services	3,701,397	-	3,701,397	4,242,946	4,242,946	541,549
Noninstructional programs	-	480,456	480,456	580,000	580,000	99,544
Other expenditures	6,226,346	-	6,226,346	1,150,988	10,499,346	4,273,000
Total expenditures	17,879,911	480,456	18,360,367	13,836,589	23,202,249	4,841,882
Excess (deficiency) of revenues over (under) expenditures	(6,052,818)	45,635	(6,007,183)	(1,106,469)	(10,472,129)	(4,464,946)
Other financing sources, net	555,593	-	555,593	-	-	(555,593)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(5,497,225)	45,635	(5,451,590)	(1,106,469)	(10,472,129)	(5,020,539)
Balances beginning of year	11,394,349	181,663	11,576,012	1,452,466	1,452,466	(10,123,546)
Balances end of year	\$ 5,897,124	227,298	6,124,422	345,997	(9,019,663)	(15,144,085)

See accompanying independent auditor's report.

Davis County Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$9,365,660.

During the year ended June 30, 2010, expenditures exceeded the amounts budgeted in the instruction functional area.

Davis County Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 345,459	\$ 345,459	0.0%	\$ 7,500,000	4.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Schedule 1

Davis County Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue		
	Student Activity	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 169,572	48,660	218,232
Receivables:			
Property tax:			
Delinquent	-	1,320	1,320
Succeeding year	-	81,660	81,660
Total assets	\$ 169,572	131,640	301,212
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 731	193	924
Deferred revenue:			
Succeeding year property tax	-	81,660	81,660
Total liabilities	731	81,853	82,584
Unreserved fund balances	168,841	49,787	218,628
Total liabilities and fund balances	\$ 169,572	131,640	301,212

See accompanying independent auditor's report.

Schedule 2

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2010

	Special Revenue		
	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	80,273	80,273
Other	316,870	16,148	333,018
State sources	-	60	60
Total revenues	316,870	96,481	413,351
Expenditures:			
Current:			
Instruction:			
Other	327,120	-	327,120
Support services:			
Instructional staff	-	40,231	40,231
Administration	3,000	8,585	11,585
Operating and maintenance of plant	-	43,220	43,220
Transportation	-	5,999	5,999
Other expenditures:			
Facilities acquisition	-	84,840	84,840
Total expenditures	330,120	182,875	512,995
Deficiency of revenues under expenditures	(13,250)	(86,394)	(99,644)
Other financing sources:			
Storm damage recovery	-	63,587	63,587
Total other financing sources	-	63,587	63,587
Deficiency of revenues and other financing sources under expenditures	(13,250)	(22,807)	(36,057)
Fund balance beginning of year	182,091	72,594	254,685
Fund balance end of year	\$ 168,841	49,787	218,628

See accompanying independent auditor's report.

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2010

Account	Balance Beginning of Year	Intrafund Transfers	Revenues	Expenditures	Balance End of Year
Senior High					
Yearbook	\$ 14,327		6,356	8,187	12,496
Concessions	10,098	(15,033)	27,534	16,460	6,139
Mustang Media	379	200	70	29	620
Mustang Pride Day	70		90	28	132
Athletics	27,695	(13,587)	68,062	65,082	17,088
Football	4,937	3,450	11,006	17,818	1,575
Baseball	1,475	1,100	4,639	4,208	3,006
Boys' Track	746	900	338	346	1,638
Wrestling	65	592	7,351	7,332	676
Cross Country	3,117	850	1,036	1,642	3,361
Girls' Basketball	1,673	4,224	4,901	7,324	3,474
Boys' Basketball	3,090	2,704	3,292	7,066	2,020
Girls' Softball	58	606	3,354	2,711	1,307
Girls' Track	(1)	(588)	4,645	2,407	1,649
Girls' Volleyball	6,572	950	4,446	9,341	2,627
Instrumental Music	9,068	(160)	17,104	18,860	7,152
Soda	697	1,710	773	1,288	1,892
Vocal Music	590	1,600	18,918	17,422	3,686
Speech	(155)	200	-	12	33
3 Act Play	579		480	242	817
Future Farmers of America	6,318	400	37,381	28,655	15,444
Quiz Bowl	15		-	-	15
National Honor Society	79		59	118	20
Cheerleading	5,014	804	11,199	10,888	6,129
Spanish Club	1,000	200	-	-	1,200
Student Council	1,373		500	632	1,241
Art Club	725	900	7,404	8,370	659
Girls' Tennis	577	450	-	-	1,027
Boys' Tennis	136	950	145	240	991
Class of 2006	-	(1,083)	1,083	-	-
Class of 2009	1,293	(200)	-	1,093	-
Class of 2010	2,612		1,739	3,385	966
Class of 2011	378	1,999	4,476	5,120	1,733
Class of 2012	570		314	45	839
Class of 2013	72		183	91	164
Class of 2014	-		69	-	69
Future Educators of America	447	400	368	527	688
Girls' Golf	550	1,050	189	457	1,332
Octagon Club	30		-	-	30
High School Academics	5,163	(70)	6,957	8,221	3,829
HS Milk	114	70	267	211	240
HS Miscellaneous	12		-	-	12
HS Letter jackets	658		2,891	3,004	545

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2010

Account	Balance Beginning of Year	Intrafund Transfers	Revenues	Expenditures	Balance End of Year
Home Ec Labs	1,621	600	1,895	2,356	1,760
IA Science Club	122	1,200	1,360	1,252	1,430
Dollars For Scholars	1,135		2,695	3,000	830
Boys' Golf	1,193	250	248	747	944
Subtotal	116,287	(2,362)	265,817	266,217	113,525
Middle School					
Athletics	2,293	310	9,406	8,404	3,605
Vocal Music	2,789	156	3,284	2,226	4,003
Instrumental Music	110	845	2,668	1,992	1,631
Student Council	629	300	3,431	3,020	1,340
Yearbook	5,716	(3,365)	2,934	15	5,270
7th/8th Football	1,164	(1,513)	1,054	330	375
7th/8th Girls Basketball	2,132		-	1,012	1,120
7th/8th Boys' Basketball	416	(416)	61	-	61
Cross Country	162		-	-	162
Girls' Track	129	1,888	-	1,800	217
8th Volleyball	88	600	95	100	683
Wrestling	28		-	-	28
Student Council Pop Cans	100		12	-	112
Middle School Academics	9,162	3,266	12,676	15,729	9,375
Middle School Milk	4,768	(109)	6,043	9,299	1,403
Mutchler Rental	1,205		-	600	605
Gifted/Talented	772	400	-	-	1,172
Subtotal	31,663	2,362	41,664	44,527	31,162
Bloomfield Elementary					
Academics	33,515		8,125	18,156	23,484
Elementary Pop	230		-	-	230
Home School	226		1,264	1,220	270
Interest	170		-	-	170
Subtotal	34,141	-	9,389	19,376	24,154
Total	\$ 182,091	-	316,870	330,120	168,841

See accompanying independent auditor's report.

Davis County Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Nine Years

	Modified Accrual Basis								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:									
Local sources:									
Local tax	\$ 3,982,845	3,912,580	3,661,556	3,759,205	3,692,023	3,298,803	2,868,349	2,905,572	2,890,837
Tuition	426,341	450,219	476,889	523,010	600,186	560,369	426,545	369,288	281,188
Other	458,279	530,792	467,508	445,742	403,411	374,513	370,043	347,262	412,444
State sources	5,498,043	6,539,708	5,914,312	5,810,933	5,515,711	5,588,939	5,174,073	5,290,080	5,243,622
Federal sources	1,461,585	761,386	690,483	786,793	1,029,880	1,390,813	649,006	673,138	484,832
Total	\$ 11,827,093	12,194,685	11,210,748	11,325,683	11,241,211	11,213,437	9,488,016	9,585,340	9,312,923
Expenditures:									
Instruction:									
Regular	\$ 5,908,935	5,670,214	5,323,249	5,067,509	4,937,473	4,061,128	3,836,553	3,514,299	3,443,224
Special	1,457,209	1,430,994	1,393,701	1,234,633	1,385,202	2,012,697	1,783,994	1,579,726	1,518,410
Other	586,024	474,335	457,030	426,860	437,152	1,011,658	806,413	816,751	726,947
Support services:									
Student	265,204	261,647	300,165	283,987	257,427	275,258	229,569	190,222	209,942
Instructional staff	217,841	180,304	150,229	161,232	126,382	270,315	263,706	231,455	300,584
Administration	1,436,589	1,432,204	1,474,623	1,413,251	1,436,205	1,264,451	990,996	943,032	968,571
Operation and maintenance of plant	996,407	718,539	723,406	691,604	619,083	617,424	605,722	565,106	589,564
Transportation	785,356	789,870	919,032	805,241	709,096	619,903	597,750	534,063	622,570
Food service operations	-	-	-	-	3,690	8,241	8,055	9,300	8,308
Other expenditures:									
Facilities acquisition	5,521,775	793,262	252,576	363,879	684,979	1,169,972	214,957	31,572	18,250
Long-term debt:									
Principal	-	255,000	250,000	245,000	245,000	240,000	240,000	205,000	205,000
Interest and other charges	248,108	172,939	14,527	20,138	25,620	29,990	36,070	77,360	84,898
AEA flowthrough	456,463	422,045	395,919	371,339	355,258	355,649	342,137	367,023	366,645
Total	\$ 17,879,911	12,601,353	11,654,457	11,084,673	11,222,567	11,936,686	9,955,922	9,064,909	9,062,913

See accompanying independent auditor's report.

Schedule 5

Davis County Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Team Nutrition Grant	10.574	FY 10	\$ 271
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	33,223
National School Lunch Program	10.555	FY 10	245,122 *
			<u>278,345</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 10	394,424
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	130,119
			<u>524,543</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>22,262</u>
Special Education - Preschool Grants	84.173	FY 10	<u>1,775</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>8,414</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>86,335</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>7,722</u>
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY 10	<u>485,238</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 10	<u>62,433</u>
Enhancing Education Through Technology	84.318	FY 10	<u>200</u>
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 10	<u>170,439</u>
Total			<u>\$ 1,647,977</u>

* Includes \$49,904 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Davis County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Davis County Community School District



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Davis County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 23, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

December 23, 2010



**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Education of Davis County Community School District:

Compliance

We have audited the compliance of Davis County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Davis County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Davis County Community School District's management. Our responsibility is to express an opinion on Davis County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Davis County Community School District's compliance with those requirements.

In our opinion, Davis County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Davis County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Davis County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

December 23, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Davis County Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, exceeded the certified budget amounts in the instruction functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-10 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Lynch, Brother to Board Member Rod Lynch Lynch Law Office	Legal Services	\$6,500
Jeff Owen, Son of Board Member Marty Owen Bredeaux Pizza	Food	4,968
Don Huggins, Brother-in-law of Director of Support Services Dan Roberts Huggins Electric	Electrical Services	19,437

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-10 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

Davis County Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

- IV-G-10 Certified Enrollment – A variance in the basic enrollment data certified to the Department of Education was noted.
- Recommendation – The certified enrollment data should be corrected.
- Response – We will attempt to correct certified enrollment errors in the future.
- Conclusion – Response accepted.
- IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$	-
Statewide sales, services and use tax revenue			681,901
Expenditures/transfers out			
School infrastructure:			
Facilities acquisition and construction	\$	(29,941)	
Debt service for school infrastructure			
General obligation debt		(651,960)	(681,901)
			<hr/>
Ending balance		\$	<hr/> <hr/> -

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.88231	\$ 681,901